

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

W.T. GRANT ANNUAL REPORT 1968

W. T. Grant Co.

FOUNDED IN 1906 AT LYNN, MASS.
EXECUTIVE AND BUYING OFFICES
1441 BROADWAY, NEW YORK, N. Y. 10018

WILLIAM T. GRANT
Honorary Chairman of the Board

DIRECTORS

EDWARD STALEY <i>Chairman</i>	JAMES G. KENDRICK
JOHN G. BYLER	PETER KILBURN
JOSEPH W. CHINN	JOSEPH A. LIVOLSI
JOHN G. CURTIN	LOUIS C. LUSTENBERGER
HOWLAND S. DAVIS	RICHARD W. MAYER
HOWARD E. EADES	CLARENCE J. MYERS
RAYMOND H. FOGLER	DeWITT PETERKIN, JR.
JOHN D. GRAY	CHARLES F. PHILLIPS
THOMAS P. JERMAN	HARRY E. PIERSON
	REGINALD W. ROSEVEAR
	ASA T. SPAULDING

OFFICERS

EDWARD STALEY <i>Chairman of the Board</i>	JOSEPH C. KELLNER <i>Western Region Vice President</i>
RICHARD W. MAYER <i>President</i>	JAMES F. McGRATH <i>Southern Region Vice President</i>
LOUIS C. LUSTENBERGER <i>Chairman of the Executive Committee</i>	EDWARD G. MILBURN <i>Eastern Region Vice President</i>
A. RICHARD BUTLER <i>Merchandise Vice President</i>	PHILIP J. RODILOSSO <i>Central Region Vice President</i>
JOHN G. CURTIN <i>Financial Vice President</i>	HERBERT T. WILKINSON <i>Pittsburgh Region Vice President</i>
HOWARD E. EADES <i>Administrative Vice President</i>	ORIE YONKERS <i>Distribution Vice President</i>
JOHN J. LAPLANTE <i>Personnel Vice President</i>	ROBERT A. LUCKETT <i>Comptroller</i>
JOSEPH A. LIVOLSI <i>Store Management Vice President</i>	EDMUND B. WOOD, JR. <i>Treasurer</i>
HARRY E. PIERSON <i>Store Expansion Vice President</i>	STANLEY E. ZIMMERMAN <i>Secretary and General Counsel</i>
JOHN P. DANE, JR. <i>New England Region Vice President</i>	EVA M. FABREGAS <i>Assistant Comptroller</i>
	ROBERT J. KELLY <i>Assistant Secretary</i>
	ALLAN E. LOMEN <i>Assistant Comptroller</i>

highlights

	1968	1967
Sales	\$1,091,658,008	\$979,457,734
Net earnings	\$ 37,895,304	\$ 32,992,862
Per common share	\$2.83	\$2.58
Average number of common shares outstanding . .	13,199,588	12,558,007
Dividends paid per preferred share	\$3.75	\$3.75
Dividends paid per common share	\$1.30	\$1.10
Total dividends paid	\$ 17,685,794	\$ 14,367,003
Earnings retained in the business	\$ 20,209,510	\$ 18,625,859
Depreciation and amortization	\$ 8,379,900	\$ 8,202,300
Capital expenditures	\$ 10,625,000	\$ 7,792,000
Employee compensation and benefits	\$ 240,809,124	\$211,692,597
Cents per sales dollar	22.1¢	21.6¢
Merchandise inventories	\$ 208,482,684	\$183,721,556
Working capital	\$ 220,952,176	\$203,241,011
Net fixed assets	\$ 49,212,801	\$ 47,571,707
Long term debt	\$ 43,251,000	\$ 62,622,000
Book value common stock—per share	\$19.47	\$17.36
Number of preferred stockholders	659	640
Number of common stockholders	17,958	17,175
Number of stores	1,092	1,086

THE STORE GROWTH PROGRAM/1964 THROUGH 1968

	Number of New Stores Opened	Number of Stores Enlarged	Capital Expenditures
1968	41	11	\$10,625,000
1967	24	13	7,792,000
1966	51	11	14,856,000
1965	27	13	7,846,000
1964	31	12	5,262,000
Totals	174	60	\$46,381,000

TO THE STOCKHOLDERS:

The year 1968 was a significant one in the progress of the W. T. Grant Company, with record sales and earnings, and marked the seventh consecutive year of both improved sales and profit.

- Sales exceeded one billion dollars for the first time, and an all time high for the nineteenth successive year.
- Annual sales volume of the average Grant Store reached one million dollars.
- Net earnings increased 14.9% and established a new record high level.
- 41 new stores were opened and 11 successful stores were enlarged as the Company continued its aggressive store expansion program.

SALES Sales totalled \$1,091,658,008, an increase of 11.5% over 1967 sales of \$979,457,734. Credit sales increased 12% over 1967 to \$262,818,570 and accounted for 24% of total sales.

NET EARNINGS Net earnings for the year were \$37,895,304, which, after preferred stock dividends, equalled \$2.83 per common share compared to \$32,992,862 and \$2.58 per common share in 1967. The 1967 earnings figures have been restated upward by 3 cents per common share as explained in Note A of the notes to financial statement on page 10 of this report. The respective earnings per share reflect the increase in the average number of common shares outstanding from 12,558,007 in 1967 to 13,199,588 in 1968.

The additional 10% federal income tax surcharge decreased net earnings by approximately \$2,500,000 or 19 cents per common share.

DIVIDENDS Total dividends paid during 1968 were a record \$17,686,000, and represented 46.7% of net earnings, compared to \$14,367,000 paid last year. Dividends of \$1.30 per share were paid on the outstanding common stock and \$3.75 per share on the preferred stock.

The Board of Directors, at their meeting on February 25, 1969, increased the regular quarterly dividend on the common stock to 35 cents. This increased rate is equivalent to \$1.40 per share per year. It is the fourth common dividend increase during the last five years and represents a cumulative increase of 133% over the 60 cents per share rate paid in 1964.

The Company has earned a profit and paid a dividend in every year of its 62 year history.

FINANCIAL COMMENTS Working Capital was \$220,952,000 at year end, up \$17,711,000 over last year.

Merchandise inventories in stores, distribution centers, and in-transit amounted to \$208,483,000, a 13% increase over last year. The major portion of the increase in inventories reflects the improved Company sales trend and inventory for new and enlarged stores.



Customers' installment receivables, arising from credit sales at Grant stores, amounted to \$324,359,000 at year end. The W. T. Grant Financial Corporation had purchased \$170,674,000 of these receivables from the Company as of year-end leaving \$153,685,000 owned by the Company as compared to \$133,026,000 owned last year.

The outstanding long term liability related to the 4% Subordinated Debentures was reduced from \$29,122,000 at January 31, 1968 to \$11,251,000 as of January 31, 1969 through conversion during the year of \$17,871,000 of debentures in exchange for 638,177 shares of common stock. In accordance with the recommendations of the American Institute of Certified Public Accountants, earnings per share figures appear on the Statement of Operations on page 5 representing the "pro forma" earnings per share assuming all the remaining Convertible Debentures had been exchanged for common stock.

In addition, the Company repurchased and cancelled 15,000 shares of the 3¾% Cumulative Preferred Stock during the year.

The Board of Directors has recommended, subject to stockholders approval, at the April 29, 1969 Annual Stockholders Meeting, that the Company purchase up to 1,200,000 shares of W. T. Grant common stock from The Grant Foundation Inc. The initial purchase of 250,000 shares would be completed on May 1, 1969 and the balance purchased in installments of not less than 200,000 shares nor more than 300,000 shares annually. Shares so purchased will be held as treasury stock to be used for future stock offerings under the Employees Stock Purchase Plan and for other corporate needs.

GROWTH PROGRAM In 1968, 41 new stores were opened, 11 successful stores were enlarged and 35 smaller stores were closed. The average size of the new stores opened in 1968 was double the size of those opened five years ago.

The stores in the 1968 program have started out well and contributed to the sales and earnings increase recorded in that year.

The Company had 1,092 stores in operation at year end compared to 1,086 stores last year.

For 1969 and in the future, we plan to continue an aggressive program of new store openings.

PERSONNEL AND ORGANIZATION The Company is presently organized and operating with six major divisions, each headed by a Divisional Vice President. The average age of the management team, including the President, is 52 years. All areas of the business recognize the importance of the functions performed by the Store Manager and the Buyer and are always working to provide the best service organization for their needs.

The Company's growth program continued to offer exceptional opportunities to its people during the year. A total of 1,035 men and women started the Company's Management Training Program during the year and, at year end, 1,620 people were in training for store management, buying, or other executive positions.

At their meeting on August 27, 1968, the Company Directors elected Richard W. Mayer, President, as the Chief Executive Officer of the Company.

A. Richard Butler, formerly Sales Promotion Director, was elected Merchandise Vice President replacing Reginald W. Rosevear who retired under terms of the Employees Retirement Plan. Mr. Rosevear will continue as a Director.



Joseph T. Reynolds, Eastern Region Vice President also retired under terms of the Employees Retirement Plan, and Edward G. Milburn, formerly Western Region Vice President replaced him. Joseph C. Kellner, formerly Western Region's Personnel and Operating Manager was elected Western Region Vice President.

The Company employed an average of 57,000 people during the year with a peak employment of 70,000 people during December.

ZELLER'S LIMITED The Company's 51% owned Canadian affiliate, operating 119 stores, increased sales and earnings for the fifth consecutive year.

Sales increased 7.6% to \$142,873,390 and earnings increased 4.6% to \$6,403,018.

The above amounts are in Canadian dollars.

W. T. GRANT FINANCIAL CORPORATION During the year, the Company's wholly owned subsidiary changed its name from W. T. Grant Credit Corporation to W. T. Grant Financial Corporation, which more fully describes the function and activities of this subsidiary. Substantially all of its earnings are derived through charges to the Grant Company related to customer installment receivables purchased by the Financial Corporation.

Net profit for the year was \$1,775,888 compared to \$1,483,628 the year before.

The financial statements of the Financial Corporation are included in this annual report.



In completing its 62nd year and exceeding the billion dollar sales mark, the Company is most grateful to its employees, suppliers, and customers for their loyalty and contributions to its performance throughout the years. We value highly the continued confidence of our stockholders and welcome the new stockholders who have become part of the Grant family in 1968.

For 1969, we plan to continue our aggressive store expansion program. The Grant organization is well prepared to maintain its strong competitive standing in the retail field, and will be in position to take advantage of every opportunity.

Edward Staley
Chairman of the Board

R. Wmayer
President

March 25, 1969



statement of operations / W. T. GRANT COMPANY

Year ended January 31,

	1969	1968*
SALES	\$1,091,658,008	\$979,457,734
Income from concessions	3,424,940	2,786,157
	<u>\$1,095,082,948</u>	<u>\$982,243,891</u>
Cost of merchandise sold, buying and occupancy costs	739,458,682	669,560,443
	<u>\$ 355,624,266</u>	<u>\$312,683,448</u>
Selling, general and administrative expenses	275,668,252	246,451,487
	<u>\$ 79,956,014</u>	<u>\$ 66,231,961</u>
ADD:		
Dividends received from Zeller's Limited	1,165,932	987,407
Interest earned	381,390	360,676
Other income	657,376	460,100
	<u>\$ 2,204,698</u>	<u>\$ 1,808,183</u>
	<u>\$ 82,160,712</u>	<u>\$ 68,040,144</u>
DEDUCT:		
Interest expense	13,145,816	11,247,532
Other deductions	656,306	566,252
	<u>\$ 13,802,122</u>	<u>\$ 11,813,784</u>
	<u>\$ 68,358,590</u>	<u>\$ 56,226,360</u>
EARNINGS BEFORE FEDERAL INCOME TAXES		
PROVISION FOR FEDERAL INCOME TAXES— Notes A and D:		
Current	25,600,000	17,100,000
Deferred	8,400,000	9,120,000
	<u>\$ 34,000,000</u>	<u>\$ 26,220,000</u>
	<u>\$ 34,358,590</u>	<u>\$ 30,006,360</u>
NET EARNINGS BEFORE SUBSIDIARIES		
INCREASE IN UNDISTRIBUTED EQUITY IN SUBSIDIARIES:		
Zeller's Limited	1,760,826	1,502,874
W. T. Grant Financial Corporation	1,775,888	1,483,628
	<u>\$ 37,895,304</u>	<u>\$ 32,992,862</u>
DEDUCT:		
Cash Dividends:		
On 3¾% Cumulative Preferred Stock:		
Four quarterly dividends of 93¾¢ each per share	526,224	562,502
On Common Stock:		
Four quarterly dividends of 32½¢ and 27½¢ respectively, each per share	17,159,570	13,804,501
TOTAL DIVIDENDS	<u>\$ 17,685,794</u>	<u>\$ 14,367,003</u>
EARNINGS FOR THE YEAR RETAINED FOR USE IN THE BUSINESS	<u>\$ 20,209,510</u>	<u>\$ 18,625,859</u>
ADD:		
Earnings of prior years retained for use in the business	172,329,135	153,703,276
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF THE YEAR	<u>\$ 192,538,645</u>	<u>\$172,329,135</u>
NET EARNINGS PER COMMON SHARE	<u>\$2.83</u>	<u>\$2.58</u>
PRO FORMA NET EARNINGS PER COMMON SHARE— assuming full conversion of 4% Convertible Sub- ordinated Debentures	<u>\$2.77</u>	<u>\$2.43</u>

*Reclassified to conform with Jan. 31, 1969 presentation.
(See notes to financial statements.)

W. T. Grant Company

January 31,

ASSETS

CURRENT ASSETS

	1969	1968
Cash and short term securities	\$ 28,459,668	\$ 25,046,930
Accounts receivable:		
Customers' installment accounts not sold	153,684,882	133,025,884
Equity in customers' installment accounts (\$170,673,684 and \$149,621,053, respectively) sold	<u>8,533,684</u>	<u>7,481,053</u>
	\$162,218,566	\$140,506,937
Less allowance for doubtful accounts	<u>13,074,244</u>	<u>11,307,091</u>
	\$149,144,322	\$129,199,846
Other accounts receivable, claims, etc.	<u>5,685,030</u>	<u>4,205,524</u>
Total accounts receivable, net	\$154,829,352	\$133,405,370
Merchandise inventories (including merchandise in transit)— at the lower of cost or market determined principally by the retail inventory method	<u>208,482,684</u>	<u>183,721,556</u>
TOTAL CURRENT ASSETS	\$391,771,704	\$342,173,856

OTHER ASSETS

Investment in W. T. Grant Financial Corporation, at equity— Note B	44,272,697	42,496,809
Investment in Zeller's Limited, at equity—Note B	15,908,043	14,112,380
Cash surrender value of life insurance	2,672,600	2,641,534
Sundry receivables and deposits	<u>465,244</u>	<u>541,212</u>
TOTAL OTHER ASSETS	\$ 63,318,584	\$ 59,791,935

COMMON STOCK OF W. T. GRANT COMPANY

At cost, held for Deferred Contingent Compensation Plan (140,500 and 135,200 shares, respectively)—Note F	2,158,108	1,979,757
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STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS— on the basis of cost

Buildings	191,910	191,910
Furniture and fixtures	83,546,372	79,971,849
Improvements to leased properties	<u>11,038,854</u>	<u>11,468,725</u>
	\$ 94,777,136	\$ 91,632,484
Less allowance for depreciation and amortization	<u>45,763,351</u>	<u>44,782,583</u>
	\$ 49,013,785	\$ 46,849,901
Land	<u>199,016</u>	<u>721,806</u>
TOTAL STORE PROPERTIES, FIXTURES, AND IMPROVEMENTS	\$ 49,212,801	\$ 47,571,707

PREPAID TAXES, RENTS AND INSURANCE, SUPPLIES, ETC.	3,697,273	2,868,914
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UNAMORTIZED DEBT EXPENSES	<u>424,818</u>	<u>705,994</u>
	<u>\$510,583,288</u>	<u>\$455,092,163</u>

statement of financial position

January 31,

LIABILITIES, RESERVES, AND CAPITAL

CURRENT LIABILITIES

	1969	1968
Accounts payable	\$ 68,890,898 ✓	\$ 53,272,136
Salaries, wages and bonuses	13,301,473 ✓	13,228,845
Taxes withheld from employees compensation	2,657,994	2,409,688
Taxes other than federal income taxes	8,640,149	6,239,867
Current portion of long term debt	180,000 ✓	300,000
Federal income taxes—Notes A and D:		
Current	16,301,489	10,642,893
Deferred taxes on installment sales	60,847,525 ✓	52,839,416
TOTAL CURRENT LIABILITIES	<u>\$170,819,528</u>	<u>\$138,932,845</u>

LONG TERM DEBT—Note E	43,251,000	62,622,000
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DEFERRED FEDERAL INCOME TAXES—Note D.	7,940,968	7,550,894
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RESERVES

For self-insured risks and repainting stores	3,300,000	3,300,000
For deferred contingent compensation	2,219,454	1,988,409
TOTAL RESERVES	<u>\$ 5,519,454</u>	<u>\$ 5,288,409</u>

CAPITAL—Notes A, B, E and F:

Capital Stock

Cumulative Preferred—\$100 par value:

Authorized 250,000 shares

Issued 132,500 and 147,500 shares, respectively, of
3¾% series

13,250,000 14,750,000

Common—\$1.25 par value:

Authorized 22,500,000 shares

Issued 13,854,220 and 12,952,613 shares, respectively .

17,317,775 16,190,766

Capital in excess of par value of shares issued

58,661,960 36,345,291

Amounts paid by officers and employees under purchase
contracts for 816,580 and 846,215 shares, respectively,
of unissued Common Stock

1,283,958 1,082,823
\$ 77,263,693 \$ 53,618,880

Earnings retained for use in the business

192,538,645 172,329,135

 TOTAL CAPITAL

\$283,052,338 \$240,698,015

LONG TERM LEASES AND CONTINGENT LIABILITY—Note G

\$510,583,288 \$455,092,163

(See notes to financial statements.)

W. T. Grant Financial Corporation

STATEMENT OF FINANCIAL POSITION

ASSETS

CURRENT ASSETS

	January 31, 1969	January 31, 1968
Customers' installment accounts purchased from W. T. Grant Company	\$170,673,684	\$149,621,053
Less portion of purchase price withheld pending collection	<u>8,533,684</u>	<u>7,481,053</u>
	\$162,140,000	\$142,140,000
Cash and short term securities	847,990	94,100
Prepaid interest and other expenses	<u>164,449</u>	<u>386,732</u>
TOTAL CURRENT ASSETS	\$163,152,439	\$142,620,832

OTHER ASSETS

Furniture and equipment—at cost less allowance for depreciation	5,705	6,545
Unamortized organization expense	<u>3,293</u>	<u>5,010</u>
	\$163,161,437	\$142,632,387

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Bank loans and notes payable	\$117,985,300	\$ 99,229,645
Accrued interest and other expenses	283,637	181,273
Federal income taxes	<u>619,803</u>	<u>724,660</u>
TOTAL CURRENT LIABILITIES	\$118,888,740	\$100,135,578

CAPITAL

Common stock—\$10,000 par value:		
Authorized and issued 2,500 shares	25,000,000	25,000,000
Additional paid-in capital	15,000,000	15,000,000
Earnings retained for use in business	<u>4,272,697</u>	<u>2,496,809</u>
TOTAL CAPITAL	\$ 44,272,697	\$ 42,496,809
	<u>\$163,161,437</u>	<u>\$142,632,387</u>

STATEMENT OF OPERATIONS

INCOME:

	Year Ended January 31	
	1969	1968
Earnings on investment in customers' installment accounts	\$ 10,737,471	\$ 8,184,365
Other	<u>323,008</u>	<u>229,748</u>
Total Income	\$ 11,060,479	\$ 8,414,113

EXPENSES:

Interest	7,215,582	5,485,588
Other	<u>82,422</u>	<u>75,393</u>
Total Expenses	\$ 7,298,004	\$ 5,560,981

EARNINGS BEFORE FEDERAL INCOME TAXES	\$ 3,762,475	\$ 2,853,132
FEDERAL INCOME TAXES	<u>1,986,587</u>	<u>1,369,504</u>
NET EARNINGS	\$ 1,775,888	\$ 1,483,628

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

BALANCE BEGINNING OF YEAR	\$ 2,496,809	\$ 1,013,181
NET EARNINGS FOR THE YEAR	1,775,888	1,483,628
BALANCE END OF YEAR	<u>\$ 4,272,697</u>	<u>\$ 2,496,809</u>

combined statement of source and disposition of income

W. T. GRANT COMPANY AND W. T. GRANT FINANCIAL CORPORATION

(amounts in 000's)

(years which end January 31 of subsequent years)

WHERE FUNDS CAME FROM	1968	1967	1966	1965	1964
SALES	\$1,091,658	\$979,458	\$920,797	\$839,715	\$769,921
LESS:					
Merchandise costs, supplies, outside services, etc.	717,371	651,761	618,945	567,393	530,790
Wages and salaries, including miscellaneous benefits	228,129	200,514	182,833	159,287	143,901
Retirement plan contributions	740	590	791	352	418
Social security taxes on payrolls	11,979	10,635	9,825	8,025	7,473
Rents to landlords less rentals on subleases	43,352	39,887	36,365	33,246	31,542
Federal, state and local taxes, excluding social security taxes	45,572	36,378	34,019	34,168	27,239
Depreciation and amortization	8,381	8,203	7,524	6,868	6,998
NET INCOME FROM OPERATIONS, excluding increase in equity in Zeller's Limited	\$ 36,134	\$ 31,490	\$ 30,495	\$ 30,376	\$ 21,560
Add charges against income which involve no cash outlay:					
Depreciation and amortization	8,381	8,203	7,524	6,868	6,998
Net increase in reserves	231	130	374	378	352
Deferred federal income tax	390	517	765	1,143	485
From sale of common stock to employees	5,432	4,113	2,695	3,431	1,723
From sale of debentures	—	—	—	35,000	—
From sale of land and buildings	523	59	30	—	219
From decrease in sundry accounts—net	—	—	—	—	76
TOTAL FUNDS PROVIDED	<u>\$ 51,091</u>	<u>\$ 44,512</u>	<u>\$ 41,883</u>	<u>\$ 77,196</u>	<u>\$ 31,413</u>
HOW FUNDS WERE USED					
For dividends to stockholders	\$ 17,686	\$ 14,367	\$ 14,091	\$ 10,211	\$ 7,672
For investment in land and buildings	—	—	667	31	—
For investment in furniture and fixtures	10,368	7,500	14,113	7,561	4,807
For investment in improvements to leased properties	176	263	477	416	366
For debenture sinking fund requirements	1,500	1,500	—	—	—
For investment in Zeller's Limited	35	418	269	128	158
For purchase of preferred stock for cancellation	923	155	—	—	—
For purchase of common stock for deferred compensation plan	178	316	441	186	186
For increase in sundry accounts—net	735	202	72	548	—
Funds added to working capital	19,490	19,791	11,753	58,115	18,224
TOTAL FUNDS USED	<u>\$ 51,091</u>	<u>\$ 44,512</u>	<u>\$ 41,883</u>	<u>\$ 77,196</u>	<u>\$ 31,413</u>

notes to financial statements / JANUARY 31, 1969

Note A — The Company has adopted the accounting principle of comprehensive interperiod tax allocation as recommended by the American Institute of Certified Public Accountants. The tax provision is based upon revenue and expense items included in the determination of pre-tax income, regardless of when the actual tax liability arises.

This accounting change has been applied retroactively and has the cumulative effect of increasing earnings retained for use in the business as of January 31, 1968 by \$4,883,991. Substantially all of this increase is attributable to the cumulative reduction of the federal tax expense related to recorded expenses for allowances for doubtful accounts and collection costs on accounts receivable, reserves for self-insured losses and repainting, and provision for deferred contingent compensation not deductible on current tax returns.

The financial statements for the year ended January 31, 1968 have been restated, giving effect to this accounting change. As a result reported earnings for that year were increased by \$430,000 or three cents per common share.

Note B — The Company carries its investment in Zeller's Limited (an approximately 51% owned Canadian subsidiary, cost \$8,457,144) and W. T. Grant Financial Corporation (a wholly-owned subsidiary, cost \$40,000,000) at equity and has included in net earnings its share of the increase in the undistributed equity of those subsidiaries.

Note C — The amount charged to operations for the Deferred Contingent Compensation Plan for the year ended January 31, 1969 was \$520,000.

Note D — Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for federal income tax purposes, such gross profits are reported as income as collections are received. The resulting difference between taxes accrued and taxes actually payable is included as "Deferred Taxes on Installment Sales".

At January 31, 1969, accumulated depreciation of approximately \$16,544,000 has been deducted for tax purposes in excess of the deduction (using the straight-line method) in the financial statements. The resulting difference is included in "Deferred Federal Income Taxes."

Investment credit totalling approximately \$733,000 has been deducted from the provision for federal income taxes for the year ended January 31, 1969.

Federal income tax returns of the Company have been examined and accepted by the Internal Revenue Service through January 31, 1963.

Note E — Long-term debt:

4¾ % Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (annual sinking fund payments of \$1,500,000)	\$32,000,000
4% Convertible Subordinated Debentures dated June 1, 1965 and due June 1, 1990	11,251,000
	<u>\$43,251,000</u>

As of January 31, 1969, 401,821 shares of Common Stock of the Company were reserved for conversion of the 4% Convertible Subordinated Debentures at the rate of one share of Common Stock for each \$28 principal amount of debentures.

Note F — The 3¾ % Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at \$100 per share.

During the year ended January 31, 1969, Capital in Excess of Par Value of Shares issued was increased by \$4,890,911 for the excess of proceeds over par value of 263,430 shares of Common Stock issued under the Employee's Stock Purchase Plan and by \$16,849,191 due to the conversion of 4% Convertible Subordinated Debentures into 638,177 shares of Common Stock, and \$576,567 representing the excess of par value over the cost of 15,000 shares of 3¾ % Cumulative Preferred Stock purchased and cancelled during the year.

At January 31, 1969, 1,032,980 shares of the Company's unissued Common Stock were reserved under the Employee's Stock Purchase Plans. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved under these Plans, the only other shares of Capital Stock reserved for options, warrants, conversions, and other rights are 401,821 shares reserved for conversion of debentures and 140,500 shares of issued Common Stock held for the Deferred Contingent Compensation Plan.

Note G — At January 31, 1969, the Company was lessee of real property under 1,069 leases expiring subsequent to January 31, 1972, at aggregate minimum annual rentals of approximately \$40,517,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately \$33,462,000 for minimum annual rentals under 863 leases which were on a percentage of sales basis with specified minimum annual rentals, but does not include any amount for 6 leases which were on a percentage of sales basis without any specified minimum annual rentals.

Note H — The Company has an Employees' Retirement Plan covering substantially all of its employees. The amount charged to operations for the year ended January 31, 1969 for this Plan was \$739,699. The Company funds pension costs accrued.

ACCOUNTANTS' REPORT

TO THE BOARDS OF DIRECTORS
W. T. GRANT COMPANY, NEW YORK, N.Y.
AND W. T. GRANT FINANCIAL CORPORATION,
WILMINGTON, DEL.

We have examined the accompanying financial statements of the W. T. Grant Company and the W. T. Grant Financial Corporation (formerly W. T. Grant Credit Corporation) for the year ended January 31, 1969. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and of operations and earnings retained for use in the business present fairly the financial position of the W. T. Grant Company and of the W. T. Grant Financial Corporation at January 31,

1969 and the results of their operations and the changes in stockholders' equity for the year then ended, in conformity with generally accepted accounting principles which, after giving retroactive effect to the change (with which we concur) in accounting for deferred taxes for the W. T. Grant Company explained in Note A of Notes to Financial Statements, have been applied on a basis consistent with that of the preceding year. It is also our opinion that the accompanying combined statement of source and disposition of funds for the W. T. Grant Company and the W. T. Grant Financial Corporation for the year ended January 31, 1969 presents fairly the information shown therein.

comparative statement of operations

(amounts in 000's) (years which end January 31 of subsequent years)

	1968	1967	1966	1965	1964
SALES	\$1,091,658	\$979,458	\$920,797	\$839,715	\$769,921
Income from concessions	3,425	2,786	2,250	1,614	1,351
	<u>\$1,095,083</u>	<u>\$982,244</u>	<u>\$923,047</u>	<u>\$841,329</u>	<u>\$771,272</u>
LESS:					
Cost of merchandise sold, and operating expenses	1,015,127	916,012	860,019	780,079	725,810
	<u>\$ 79,956</u>	<u>\$ 66,232</u>	<u>\$ 63,028</u>	<u>\$ 61,250</u>	<u>\$ 45,462</u>
ADD:					
Dividends, interest and other income	2,205	1,808	1,048	998	894
	<u>\$ 82,161</u>	<u>\$ 68,040</u>	<u>\$ 64,076</u>	<u>\$ 62,248</u>	<u>\$ 46,356</u>
DEDUCT:					
Interest expense	13,146	11,248	9,055	4,846	4,164
Other deductions	656	566	615	441	332
EARNINGS BEFORE FEDERAL INCOME TAXES	<u>\$ 68,359</u>	<u>\$ 56,226</u>	<u>\$ 54,406</u>	<u>\$ 56,961</u>	<u>\$ 41,860</u>
PROVISION FOR FEDERAL INCOME TAXES	34,000	26,220	24,910	26,600	20,300
NET EARNINGS BEFORE SUBSIDIARIES	<u>\$ 34,359</u>	<u>\$ 30,006</u>	<u>\$ 29,496</u>	<u>\$ 30,361</u>	<u>\$ 21,560</u>
INCREASE IN UNDISTRIBUTED EQUITY IN SUBS.	3,536	2,987	2,072	1,187	866
NET EARNINGS FOR THE YEAR	<u>\$ 37,895</u>	<u>\$ 32,993</u>	<u>\$ 31,568</u>	<u>\$ 31,548</u>	<u>\$ 22,426</u>

comparative statement of financial position

(amounts in 000's) (at January 31 of subsequent years)

	1968	1967	1966	1965	1964
ASSETS:					
Cash and short term securities	\$ 28,460	\$ 25,047	\$ 37,507	\$ 22,559	\$ 38,966
Accounts receivable—customers' accounts (net)	149,144	129,200	105,545	107,405	54,377
Accounts receivable—other	5,685	4,206	4,760	3,538	2,903
Merchandise inventories	208,483	183,721	174,631	151,365	140,716
TOTAL CURRENT ASSETS	<u>\$391,772</u>	<u>\$342,174</u>	<u>\$322,443</u>	<u>\$284,867</u>	<u>\$236,962</u>
Investment in W. T. Grant Financial Corporation	44,273	42,497	26,013	25,014	—
Investment in Zeller's Limited, at equity	15,908	14,112	12,192	10,850	9,550
Properties, fixtures, and improvements (net)	49,213	47,572	48,070	40,367	39,232
Sundry other assets	9,417	8,737	8,300	7,786	7,060
TOTAL ASSETS	<u>\$510,583</u>	<u>\$455,092</u>	<u>\$417,018</u>	<u>\$368,884</u>	<u>\$292,804</u>
LIABILITIES, RESERVES, AND CAPITAL:					
Accounts payable and accrued expenses	\$ 93,671	\$ 75,451	\$ 66,678	\$ 63,277	\$ 61,841
Federal income taxes	77,149	63,482	55,831	32,410	19,055
TOTAL CURRENT LIABILITIES	<u>\$170,820</u>	<u>\$138,933</u>	<u>\$122,509</u>	<u>\$ 95,687</u>	<u>\$ 80,896</u>
Long term debt	43,251	62,622	70,000	70,000	35,000
Deferred federal income taxes	7,941	7,551	7,034	6,269	5,126
Reserves	5,519	5,288	5,159	4,784	4,407
CAPITAL:					
Preferred stock	13,250	14,750	15,000	15,000	15,000
Common stock	77,263	53,619	43,613	40,918	37,486
Earnings retained for use in the business	192,539	172,329	153,703	136,226	114,889
TOTAL LIABILITIES, RESERVES, AND CAPITAL	<u>\$510,583</u>	<u>\$455,092</u>	<u>\$417,018</u>	<u>\$368,884</u>	<u>\$292,804</u>

other items

	1968	1967	1966	1965	1964
Number of stores	1,092	1,086	1,104	1,088	1,092
Pre-tax earnings per sales dollar	6.3¢	5.7¢	5.9¢	6.8¢	5.4¢
Net earnings per share	\$2.83	\$2.58	\$2.52	\$2.57	\$1.83
Dividends per share	\$1.30	\$1.10	\$1.10	\$.80	\$.60
Working capital—amounts in 000's	\$220,952	\$203,241	\$199,934	\$189,180	\$156,066
Net Worth—amounts in 000's	\$283,052	\$240,698	\$212,316	\$192,144	\$167,375
% earned on net worth	13.4	13.7	14.9	16.4	13.4



GRANT'S





The First W. T. Grant Store . . . Lynn, Mass., 1906

The company started with one store at Lynn, Mass., in 1906. Total sales that first year were \$99,000 and net earnings were \$10,000. During the company's infant years, business was far different from what it is today. There were no income taxes, sales were strictly cash, all merchandise offered for sale was priced under one dollar, and, as a rule, there were no evening hours.

Over the years, the company has operated during several wars, during the Great Depression and periodic recessions, yet earned a profit and paid a dividend every year.

In 1968, the company entered that select group of retailers with sales of over one billion dollars per year. After sixty-two years of continuous growth, our company has reached the point where:

- There are almost 1,100 Grant stores in forty-six states.
- An average of approximately 60,000 people is employed by the company.
- Credit service is available at all stores, with approximately 25% of all sales being sold on credit.
- Over half of the present company stores have been opened during the last 10 years. There has been a rapid increase in the size of the average store opened. These newer stores, free-standing and in shopping centers, are complete promotional department stores offering broad merchandising assortments and services.
- Over half the stores have restaurants.
- More than one-third offer major appliances and have outside garden shops.
- There are over 60 auto service centers.
- 17 appliance service centers inspect, deliver, install and service our "Bradford" brand of appliances.
- Five major distribution centers warehouse and deliver merchandise to the stores.

Having reached this significant milestone of one billion dollars in sales, the company will continue to build a bigger and stronger company for the benefit of Grant customers, stockholders, vendors and employees.



Artist's rendering of our North Andover, Massachusetts store

